



Sen. Jacqueline Y. Collins

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LRB096 03608 RCE 26031 a

1 AMENDMENT TO HOUSE BILL 177

2 AMENDMENT NO. _____. Amend House Bill 177 by replacing
3 everything after the enacting clause with the following:

4 "Section 5. The Public Funds Investment Act is amended by
5 changing Section 2 as follows:

6 (30 ILCS 235/2) (from Ch. 85, par. 902)

7 Sec. 2. Authorized investments.

8 (a) Any public agency may invest any public funds as
9 follows:

10 (1) in bonds, notes, certificates of indebtedness,
11 treasury bills or other securities now or hereafter issued,
12 which are guaranteed by the full faith and credit of the
13 United States of America as to principal and interest;

14 (2) in bonds, notes, debentures, or other similar
15 obligations of the United States of America or its
16 agencies;

1 (3) in interest-bearing savings accounts,
2 interest-bearing certificates of deposit or
3 interest-bearing time deposits or any other investments
4 constituting direct obligations of any bank as defined by
5 the Illinois Banking Act;

6 (4) in short term obligations of corporations
7 organized in the United States with assets exceeding
8 \$500,000,000 if (i) such obligations are rated at the time
9 of purchase at one of the 3 highest classifications
10 established by at least 2 standard rating services and
11 which mature not later than 270 ~~180~~ days from the date of
12 purchase, (ii) such purchases do not exceed 10% of the
13 corporation's outstanding obligations and (iii) no more
14 than one-third of the public agency's funds may be invested
15 in short term obligations of corporations; or

16 (5) in money market mutual funds registered under the
17 Investment Company Act of 1940, provided that the portfolio
18 of any such money market mutual fund is limited to
19 obligations described in paragraph (1) or (2) of this
20 subsection and to agreements to repurchase such
21 obligations.

22 (a-1) In addition to any other investments authorized under
23 this Act, a municipality may invest its public funds in
24 interest bearing bonds of any county, township, city, village,
25 incorporated town, municipal corporation, or school district,
26 of the State of Illinois, of any other state, or of any

1 political subdivision or agency of the State of Illinois or of
2 any other state, whether the interest earned thereon is taxable
3 or tax-exempt under federal law. The bonds shall be registered
4 in the name of the municipality or held under a custodial
5 agreement at a bank. The bonds shall be rated at the time of
6 purchase within the 4 highest general classifications
7 established by a rating service of nationally recognized
8 expertise in rating bonds of states and their political
9 subdivisions.

10 (b) Investments may be made only in banks which are insured
11 by the Federal Deposit Insurance Corporation. Any public agency
12 may invest any public funds in short term discount obligations
13 of the Federal National Mortgage Association or in shares or
14 other forms of securities legally issuable by savings banks or
15 savings and loan associations incorporated under the laws of
16 this State or any other state or under the laws of the United
17 States. Investments may be made only in those savings banks or
18 savings and loan associations the shares, or investment
19 certificates of which are insured by the Federal Deposit
20 Insurance Corporation. Any such securities may be purchased at
21 the offering or market price thereof at the time of such
22 purchase. All such securities so purchased shall mature or be
23 redeemable on a date or dates prior to the time when, in the
24 judgment of such governing authority, the public funds so
25 invested will be required for expenditure by such public agency
26 or its governing authority. The expressed judgment of any such

1 governing authority as to the time when any public funds will
2 be required for expenditure or be redeemable is final and
3 conclusive. Any public agency may invest any public funds in
4 dividend-bearing share accounts, share certificate accounts or
5 class of share accounts of a credit union chartered under the
6 laws of this State or the laws of the United States; provided,
7 however, the principal office of any such credit union must be
8 located within the State of Illinois. Investments may be made
9 only in those credit unions the accounts of which are insured
10 by applicable law.

11 (c) For purposes of this Section, the term "agencies of the
12 United States of America" includes: (i) the federal land banks,
13 federal intermediate credit banks, banks for cooperative,
14 federal farm credit banks, or any other entity authorized to
15 issue debt obligations under the Farm Credit Act of 1971 (12
16 U.S.C. 2001 et seq.) and Acts amendatory thereto; (ii) the
17 federal home loan banks and the federal home loan mortgage
18 corporation; and (iii) any other agency created by Act of
19 Congress.

20 (d) Except for pecuniary interests permitted under
21 subsection (f) of Section 3-14-4 of the Illinois Municipal Code
22 or under Section 3.2 of the Public Officer Prohibited Practices
23 Act, no person acting as treasurer or financial officer or who
24 is employed in any similar capacity by or for a public agency
25 may do any of the following:

26 (1) have any interest, directly or indirectly, in any

1 investments in which the agency is authorized to invest.

2 (2) have any interest, directly or indirectly, in the
3 sellers, sponsors, or managers of those investments.

4 (3) receive, in any manner, compensation of any kind
5 from any investments in which the agency is authorized to
6 invest.

7 (e) Any public agency may also invest any public funds in a
8 Public Treasurers' Investment Pool created under Section 17 of
9 the State Treasurer Act. Any public agency may also invest any
10 public funds in a fund managed, operated, and administered by a
11 bank, subsidiary of a bank, or subsidiary of a bank holding
12 company or use the services of such an entity to hold and
13 invest or advise regarding the investment of any public funds.

14 (f) To the extent a public agency has custody of funds not
15 owned by it or another public agency and does not otherwise
16 have authority to invest such funds, the public agency may
17 invest such funds as if they were its own. Such funds must be
18 released to the appropriate person at the earliest reasonable
19 time, but in no case exceeding 31 days, after the private
20 person becomes entitled to the receipt of them. All earnings
21 accruing on any investments or deposits made pursuant to the
22 provisions of this Act shall be credited to the public agency
23 by or for which such investments or deposits were made, except
24 as provided otherwise in Section 4.1 of the State Finance Act
25 or the Local Governmental Tax Collection Act, and except where
26 by specific statutory provisions such earnings are directed to

1 be credited to and paid to a particular fund.

2 (g) A public agency may purchase or invest in repurchase
3 agreements of government securities having the meaning set out
4 in the Government Securities Act of 1986, as now or hereafter
5 amended or succeeded, subject to the provisions of said Act and
6 the regulations issued thereunder. The government securities,
7 unless registered or inscribed in the name of the public
8 agency, shall be purchased through banks or trust companies
9 authorized to do business in the State of Illinois.

10 (h) Except for repurchase agreements of government
11 securities which are subject to the Government Securities Act
12 of 1986, as now or hereafter amended or succeeded, no public
13 agency may purchase or invest in instruments which constitute
14 repurchase agreements, and no financial institution may enter
15 into such an agreement with or on behalf of any public agency
16 unless the instrument and the transaction meet the following
17 requirements:

18 (1) The securities, unless registered or inscribed in
19 the name of the public agency, are purchased through banks
20 or trust companies authorized to do business in the State
21 of Illinois.

22 (2) An authorized public officer after ascertaining
23 which firm will give the most favorable rate of interest,
24 directs the custodial bank to "purchase" specified
25 securities from a designated institution. The "custodial
26 bank" is the bank or trust company, or agency of

1 government, which acts for the public agency in connection
2 with repurchase agreements involving the investment of
3 funds by the public agency. The State Treasurer may act as
4 custodial bank for public agencies executing repurchase
5 agreements. To the extent the Treasurer acts in this
6 capacity, he is hereby authorized to pass through to such
7 public agencies any charges assessed by the Federal Reserve
8 Bank.

9 (3) A custodial bank must be a member bank of the
10 Federal Reserve System or maintain accounts with member
11 banks. All transfers of book-entry securities must be
12 accomplished on a Reserve Bank's computer records through a
13 member bank of the Federal Reserve System. These securities
14 must be credited to the public agency on the records of the
15 custodial bank and the transaction must be confirmed in
16 writing to the public agency by the custodial bank.

17 (4) Trading partners shall be limited to banks or trust
18 companies authorized to do business in the State of
19 Illinois or to registered primary reporting dealers.

20 (5) The security interest must be perfected.

21 (6) The public agency enters into a written master
22 repurchase agreement which outlines the basic
23 responsibilities and liabilities of both buyer and seller.

24 (7) Agreements shall be for periods of 330 days or
25 less.

26 (8) The authorized public officer of the public agency

1 informs the custodial bank in writing of the maturity
2 details of the repurchase agreement.

3 (9) The custodial bank must take delivery of and
4 maintain the securities in its custody for the account of
5 the public agency and confirm the transaction in writing to
6 the public agency. The Custodial Undertaking shall provide
7 that the custodian takes possession of the securities
8 exclusively for the public agency; that the securities are
9 free of any claims against the trading partner; and any
10 claims by the custodian are subordinate to the public
11 agency's claims to rights to those securities.

12 (10) The obligations purchased by a public agency may
13 only be sold or presented for redemption or payment by the
14 fiscal agent bank or trust company holding the obligations
15 upon the written instruction of the public agency or
16 officer authorized to make such investments.

17 (11) The custodial bank shall be liable to the public
18 agency for any monetary loss suffered by the public agency
19 due to the failure of the custodial bank to take and
20 maintain possession of such securities.

21 (i) Notwithstanding the foregoing restrictions on
22 investment in instruments constituting repurchase agreements
23 the Illinois Housing Development Authority may invest in, and
24 any financial institution with capital of at least \$250,000,000
25 may act as custodian for, instruments that constitute
26 repurchase agreements, provided that the Illinois Housing

1 Development Authority, in making each such investment,
2 complies with the safety and soundness guidelines for engaging
3 in repurchase transactions applicable to federally insured
4 banks, savings banks, savings and loan associations or other
5 depository institutions as set forth in the Federal Financial
6 Institutions Examination Council Policy Statement Regarding
7 Repurchase Agreements and any regulations issued, or which may
8 be issued by the supervisory federal authority pertaining
9 thereto and any amendments thereto; provided further that the
10 securities shall be either (i) direct general obligations of,
11 or obligations the payment of the principal of and/or interest
12 on which are unconditionally guaranteed by, the United States
13 of America or (ii) any obligations of any agency, corporation
14 or subsidiary thereof controlled or supervised by and acting as
15 an instrumentality of the United States Government pursuant to
16 authority granted by the Congress of the United States and
17 provided further that the security interest must be perfected
18 by either the Illinois Housing Development Authority, its
19 custodian or its agent receiving possession of the securities
20 either physically or transferred through a nationally
21 recognized book entry system.

22 (j) In addition to all other investments authorized under
23 this Section, a community college district may invest public
24 funds in any mutual funds that invest primarily in corporate
25 investment grade or global government short term bonds.
26 Purchases of mutual funds that invest primarily in global

1 government short term bonds shall be limited to funds with
2 assets of at least \$100 million and that are rated at the time
3 of purchase as one of the 10 highest classifications
4 established by a recognized rating service. The investments
5 shall be subject to approval by the local community college
6 board of trustees. Each community college board of trustees
7 shall develop a policy regarding the percentage of the
8 college's investment portfolio that can be invested in such
9 funds.

10 Nothing in this Section shall be construed to authorize an
11 intergovernmental risk management entity to accept the deposit
12 of public funds except for risk management purposes.

13 (Source: P.A. 93-360, eff. 7-24-03.)

14 Section 99. Effective date. This Act takes effect upon
15 becoming law."